

Eric J. Krathwohl, Esq.
Direct: (617) 556-3857
Email: ekrathwohl@richmaylaw.com

January 20, 2006

VIA E-FILING & HAND DELIVERY

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 05-61; Milford Water Company

Dear Ms. Cottrell:

Enclosed for filing please find Milford Water Company's responses to the Information Requests of the Town of Milford set forth on the attached list.

Any questions on this matter should be directed to the undersigned.

Very truly yours,



Eric J. Krathwohl

Encl.

cc: Shaela McNulty Collins, Esq., Hearing Officer –Settlement Intervention Staff
John Geary, Esq., Hearing Officer – Adjudicatory Staff
Gerald M. Moody, Esq.
Henry C. Papuga, Manager
Stephen B. Alcott

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Responses to Information Requests:

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**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

MILFORD WATER COMPANY RESPONSES TO THE
FIRST SET OF INFORMATION REQUESTS OF THE
TOWN OF MILFORD
D.T.E. 05-61

Respondent: Stephen B. Alcott
Response Date: January 20, 2006

Town 1-11 Refer to Exhibit SBA1, Schedules A-4 and A-5. Please explain in detail the basis for the \$22,400 referred to as "Depreciation on Post Test Year Additions", listing what such additions are and when they were placed in service.

Supplemental

Response: At the time of preparing the application, the post test year additions had not been completed. The basis for the \$22,400 depreciation expense, as well as construction cost details are shown below.

**POST TEST YEAR ADDITIONS TO PLANT IN SERVICE
2005 System Efficiency And Water Quality Assurance Project**

PROJECT COMPONENTS	Cost (estimated)	Depreciation Accrual	Amount
Reactivate slow sand filter #1	\$150,000	5.00%	7,500
Install flow control valve @ Echo Lake Dam	\$5,000	5.00%	250
Install water main on Beaver Street	\$10,000	1.67%	167
Purchase St improvements	\$25,000	4.00%	1,000
Install 4" master meter @ Godfrey Brook station	\$7,500	4.00%	300
Install 4" master meter @ Clarks Island station	\$5,000	4.00%	200
Construct new crew breakroom @ 68 Dilla Street	\$86,005	2.50%	2,150
Install continuous pH & chlorine equip @ Godfrey Br.	\$14,775	10.00%	1,478
Purchase office technology upgrades	\$36,000	4.75%	1,710
Godfrey Brook well improvements	\$2,000	3.33%	67
Furnish & install radio read meters for monthly accts	\$175,000	2.50%	4,375
Implement security systems @ facilities	\$65,000	5.00%	3,250
Totals	\$581,280	3.86%	\$22,446
Rounded for Rate Case Filing	\$581,000	3.86%	\$22,400

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Town 1-23 What are the post-test year capital plant additions of \$581,000 comprised of? (Please specify the cost of each major item and totals for smaller items by type, e.g. meters, services, hydrants, etc.)

Response: **See response to Town 1-11 which provides the details requested.**

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Town 1-24 Please provide a breakdown of the \$560,000 increase in capital costs by the 4 categories listed on pages 4 and 5 [i.e. depreciation, interest, real estate taxes and Return on Equity (ROE)].

Response: The \$560,000 was rounded. The calculated amount and the actual categories included are shown in the following tabulation.

Description	Annual Capital Costs		
	Allowed Per Order D.T.E. 98-112	Company's Pro Forma D.T.E. 05-61	CHANGE
Depreciation/Amortization Expense	\$353,498	\$387,900	\$34,402
Property Taxes	251,339	350,700	99,361
Massachusetts Taxes	63,951	91,400	27,449
Federal Taxes	312,767	447,000	134,233
Investment Tax Credits	(9,692)	(9,700)	(8)
Return on Rate Base	783,719	1,048,838	265,120
	\$1,755,581	\$2,316,138	\$560,557

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Town 1-25 Please provide the calculation(s) that Mr. Alcott used to derive the 2.7% compound escalation factor (in operating costs) on page 5 of his testimony.

Response: The 2.7% compound increase was not an "escalation factor" used to determine costs. The 2.7% increase was the result of cost increases and was calculated as follows:

Actual operating costs year ended 12/31/04	\$1,682,477
Operating costs allowed in DTE 98-112	\$1,364,256
Overall Percentage Increase	23.33%
Annual Compound Rate over 8 years (raise 1.2334 to the 1/8 power)	2.66%

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Town 1-26 What is the equivalent compound escalation rate in generating costs between the allowed cost in the prior case (\$1.364 million) and the projected pro-forma amount (\$1.946 million). Please show details of the calculations.

Response: **The witness is not familiar with “generating costs” as such may apply in the current proceeding. The compound increase in operating costs would be as follows:**

Pro forma operating costs year ended 12/31/04	\$1,946,000
Operating costs allowed in DTE 98-112	\$1,364,000
Overall Percentage Increase	42.67%
Annual Compound Rate over 8 years (raise 1.2334 to the 1/8 power)	4.54%

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Town 1-27 What are the 5 highest line item operating costs that led to the increase of \$582,000 requested? (Indicate the amounts for each expense category listed)

Response: Line item data was not used to develop the referenced number. The \$582,000 increase in operating costs from the prior case was presented for the purpose of providing an overview of the increases since the 1998 case and was calculated based on the decision in DTE 98-112, which tabulated pro forma adjustments only, and did not tabulate line item operating costs. The \$582,000 number was calculated as follows:

Description	Annual Operating Costs		
	Allowed Per Order D.T.E. 98-112	Company's Pro Forma D.T.E. 05-61	CHANGE
O&M Expense	\$1,311,664	\$1,871,317	\$559,653
Uncollectible Expense	4,408	19,600	15,192
Payroll Taxes	48,184	54,900	6,716
	\$1,364,256	\$1,945,817	\$581,561

The available "line item" data is presented in Exhibit SBA-1, Attachment D, (page 66 of 67) which sets forth the changes in actual operating costs between 1997 and 2004. Please note that for the purpose of providing an overview of the increases since the 1998 case depreciation has been included as a capital cost rather than an operating cost. In the DTE annual return depreciation is included as an operating expense.

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Town 1-28 Please explain why total non-rate revenues will not increase over current levels when the Company proposed to increase unit charges for many of the sources of these revenues?

Response: As shown on Table 3 and Table 3a of Exhibit SBA-1, proposed Miscellaneous Revenues show an increase over present levels of \$1,900. This pro forma adjustment was calculated on Workpaper "WP-Misc Rev", page 59 of 67, in Exhibit SBA-1.

(Footnote "F" on Table 1 does refer to the proposed turn-on fee. However, Table 1, as it is titled, sets forth "Pro Forma Revenue at Current Rates", therefore the amount of miscellaneous revenues is properly shown as "zero".)

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Town 1-36 What is the basis for charging wholesale customers a uniform consumption charge equal to the first block rate times 1.5?

Response: **A uniform consumption charge was proposed because of the nature of wholesale customers. They are not the end users. They do not make "usage" decisions in the same way as retail users who may be expected to modify their usage when confronted with an inclining block rate. As a water utility themselves, the wholesale customer generally has its own supply and simply needs to augment that supply when its own supply is insufficient to meets its customers needs.**

The 1.5 factor was selected to reflect the fact that, if approved by DTE, the proposed rates would charge residential customers in Milford a 100% markup from the first block rate for conservation purposes. In the Company's view wholesale customers should also be charged more than the first block rate and the Company elected to propose one-half of the 100% markup to its own residential customers.

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Town 1-37 What annual amounts does the Company expect to receive from its new source development charges (SDCs) over the next 5 years (first 5 years in effect)? How will these funds be accounted for and how will they be utilized?

Response: Based on recent years it is possible that 100 new residential units apply annually for water service. If the proposed SDC charge of \$2,900 is approved the funds received could be 100 times that amount. (It is noted that in two of the last four years new applications were less than 70 per year.) As to how the funds would be used and accounted, the Company recognizes that such funds received are customer contributions for capital plant. The detailed accounting practices of the company are more fully explained in the response to SIS 1-28.

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Town 1-38 What % of total pro-forma revenues would the "loss" due to emergency water bought from Holliston in 2002 be in 2006? Does this represent a level of loss that necessitates the institution of an automatic adjustment clause? Please explain your response in detail.

Response: Assuming that the Company's requested rate increase is approved in full, Table 3 of Exhibit SBA-1 shows total pro forma revenues of \$3,550,534. The "loss" due to emergency water bought from Holliston in 2002 as shown on Schedule R-9 of Exhibit SBA-1 was \$63,147, which amounts to 1.8% of \$3,550,354. Although this percentage is a small in magnitude, the relevant question is the impact on net income. For instance, as shown on page 64 of Exhibit SBA-1, net income in 2004 was \$406,473 and the \$63,147 "loss" exceeds 15%. In the Company's opinion, safeguarding its operations from losses of that magnitude is important to preserving its capacity to provide quality service to its customers. Therefore, an automatic adjustment clause is necessary to avoid undue earnings erosion.

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Town 1-42 What is the Company's basis for assuming that consumption levels will remain constant going from the test year to the pro-forma year? More specifically, why hasn't the Company factored in some level of growth in retail water sales over that approximately two-year period? What additional development does the Town anticipate (or has already realized) over the intervening two years (both commercial and residential)?

Response: The Company has not included general forecasts of growth or of inflation in cost of providing service, although there is some certainty that both factors will occur. In the witness' opinion it is reasonable to expect that these two factors will balance each other. Also in the witness's experience, the Department has not generally considered growth since the amount of growth does not meet the known and measurable standard for pro forma adjustments. Further, where the Company is proposing "conservation" rates, to the extent such a rate design is implemented, customer usage may be reduced.

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Town 1-39 What were the consumption figures by customer class that produced the revenues on Table 1 of Exhibit SBA1?

Response: **Hundreds of cubic feet**

Residential	759,995
Commercial	259,692
Industrial	120,279
Municipal	52,893
Resale	77,408*

Details of the retail metered consumption figures can be found on page 57 of Exhibit SBA-1, workpaper "WP-BA-PRES".

*** This volume was derived from the booked revenue for resale customers. As shown on workpaper "WP-BA-PRES" the bill analysis calculation of revenue from retail customers tied to the book revenue within 0.13%. The variance for resale revenue was larger and the derived volume has been reported in this response.**

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Town 1-44 Has Milford considered wholesale sales to other communities or private customers that can't be supplied by neighboring water utilities going forward? Please indicate what, if any, measures the Company has taken to increase water sales beyond its Town's borders.

Response: As noted in responses to other questions, the Company has been seeking additional water supplies to meet the needs of its retail customers and therefore has not sought to sell water beyond its service area (or beyond its contractual commitments to Hopedale and Mendon). In fact on occasion the Company has found it necessary to purchase water from neighboring utilities.

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Town 1-45 How was the Company's cash working capital calculated (Table 4, Exhibit SBA1)? Has the Company ever performed a lead-lag study to determine the appropriate level?

Response: The Company calculated cash working capital as follows:

O&M Expense (Schedule A-1 of Exhibit SBA-1)	\$1,871,317
Times cash working capital factor	12.33%
Calculated cash working capital	\$230,733

The cash working capital factor is based on a standard 45 day lag between rendering water service and receipt of paid bills. This is the method normally used in water applications to the DTE. The Company has not performed a lead-lag study because it considers the Department's standard approach to be appropriate and because a lead-lag study is time-consuming and expensive. For those same reasons, the Company has not performed a lead lag study in the past.

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Town 1-47 What is the basis for the proposed consumption charge for wholesale customers? (That is, why was 150% of the first block rate used as opposed to any other unit amount that could have been used?) What, if any, is the cost basis?

Response: Please see response to Town Information Request 1-36.

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Town 1-48 Referring to Schedule R-7, Exhibit SBA1, please provide the following back-up information:

- Detailed cost estimates of the five plan (asset categories) items listed.
- Will the existing customer base receive any benefit from the increased capacity of 1.66 MGD?
- Please demonstrate why the Company believes that an average residential single-family customer uses 90,000 gallons per year.
- Please demonstrate the correlation between the average use (or demand) of all customers with the same meter size and the relative potential flow capacity for each meter size expressed as a "ratio" to a customer with a 5/8-inch meter.
- What level of revenues does the Company expect to collect from the proposed connection charge in each of the first three years they will be in effect if approved?
- How will the revenue that is collected from the connection charges be accounted for and what specific expenses will they be used to pay for?
- Will these funds be segregated in a separate interest-bearing fund? Will they only be used to pay for the capital costs of the five categories listed?

Response: **First bullet:** The basis for the estimated costs of the five items will be provided at the Company's earliest opportunity.

Second bullet: Yes. A more reliable supply will result.

Third bullet: The question incorrectly assumes that the Company believes the average residential single-family customer uses 90,000 gallons per year. The Company used that amount as a capacity equivalent for the purpose of calculating the unit value of new facilities as a basis for the proposed system development charge. 90,000 gallons per year is equivalent to 247 gallons per day. In the witness' opinion this is a reasonable basis in this case. (It is also noted that an annual consumption of 90,000 gallons is used as a typical

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Town 1-48 (continued)

residential consumption for rate comparisons, such as the annual reports by the MWRA and Tighe and Bond.)

Fourth bullet: The capacity ratios used on Schedule R-7 are taken from the AWWA Meter Sizing Manual and reflect maximum recommended flows for each meter size. These values are standards applicable throughout the water industry and have been used frequently to allocate demand related costs. Average consumption for all users by meter size was not used to develop the proposed charges. Using the billing data presented in WP-BA-PRES, the following relationship exists for the Company's current customers.

Meter Size	Average Use Gals/Year	Ratio to 5/8" Meters
5/8"	68,629	1.00
3/4"	187,139	2.73
1"	399,762	5.82
1 1/2"	722,549	10.53
2"	1,218,857	17.76
3"	78,241	1.14
4"	3,532,907	51.48
6"	29,031	0.42
8"	4,186,171	61.00

Fifth bullet: Please see response to Town 1-37.

Sixth bullet: Please see response to Town 1-37.

Seventh bullet: As reference in response to Town 1-37, detailed accounting practices for SDC funds are explained in the response to SIS 1-28.

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- Town 1-49 Referring to Schedule R-8, Exhibit SBA1, how many "turn-ons" and "turn-offs" has the Company experienced in recent years, and how many would it expect to perform over the next three years (pro-forma year plus two)? (For each year, please separate the total number between those performed during normal business hours and all others.) How will these funds be accounted for and how will they be utilized?
- Response:** For recent years' experience please see response to SIS 1-33. The Company's best estimate of future charges is shown on page 59 of Exhibit SBA-1, where 20 occurrences were used as the basis for pro forma revenue under proposed rates. Whatever revenues are received will be accounted for and utilized as ordinary operating revenue.

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Town 1-50 Referring to Schedule A3, Exhibit SBA1, please provide all assumptions, estimates, and calculations used as a basis for deriving the 30.08% increase in labor expenses between the test year and the pro-forma year. (In particular, the increase of \$133,294 between 2004 and 2005.)

Response: Please see response to SIS 2-3.

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Town 1-51 Referring to Schedule A-4, Exhibit SBA1, please provide all assumptions, estimates, and calculations used to derive the following line item amounts:

- Overall test-year depreciation rate – 3.044%.
- Pro-forma depreciation on contributions in aid of construction - \$84,957.
- Pro-forma depreciation on total depreciated plant in service - \$450,445.
- Depreciation on post-test-year additions - \$22,400.

Response: The detailed calculation of depreciation expense was obtained from the Company's accountant and provided in two excel files in response to DTE 1-1. The file names are as follows:

“Depreciation-03.xls” and “mwcfixedassetsfstieinforCIAC.xls”

Regarding the calculation of depreciation on post test year additions please see response to Town 1-11.

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Town 1-52 Has the number of employees changed from the test year to the Pro-forma year?

Response: Yes. Please see workpaper WP-Payroll in Attachment C to Mr. Alcott's schedules.

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Town 1-53 Referring to Schedule A-2, Exhibit SBA1, please provide all assumptions, estimates and calculations used to derive the following pro-forma adjustments:

- Employee health insurance - \$37,400. [In particular, the monthly premium amounts (WP=MISC EXP)]
- Purchased power - \$41,500. [In particular, changes in use and prices included in the estimates (WP=POWER)]
- Purchased water adjustment - \$25,000. [In particular, the three dollar amounts (on WP=MISC EXP)]
- Uncollectible expense - \$3,800.

Response: Employee health insurance – The \$37,400 adjustment was based on monthly premiums in effect at the time of preparing this adjustment. The pro forma cost is based on employees continuing the coverage plans they have chosen. Supplemental Response to DTE 1-9 provides additional details, including the information that current premiums, effective in August 2005 have increased above those used to calculate the \$37,400 adjustment, so that the revised adjustment is \$64,282. Details regarding employee health insurance has been provided in two excel files in response to DTE 1-1. The file names are as follows:

**“RateCase-2005ProFormaHealthInsMatrix.xls”
“RateCase-HealthInsMatrix3.xls”**

**Purchased power – The proposed adjustment does not include any change in power use. The adjustment is based on the summer 2005 electric rates as opposed to the rates in effect during 2004. The detailed calculation of power expense was provided in an excel file in response to DTE 1-1. The file name is as follows:
ElectricUsage-04.xls**

Electric rate have generally increased since that time and the Company will provide updates as appropriate.

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Town 1-53 (continued)

Purchased water – The 2001 and 2002 dollar amounts are based on actual bills as follows:

2001	Holliston	\$38,911.78	
2002	Holliston	\$122,470.28	
2002	Medway	\$51,162.60	Total 2002 = \$173,632.88

Regarding the estimated dollar amount for 2005, please see response to SIS 1-14.

Uncollectible – This adjustment is based on the Department's usual method of using the average percentage bad debt write-off for past 3 years (actual uncollectible expense divided by revenue) times the proposed increase in revenue. (This is a "circular" calculation. As indicated on page 62 of Exhibit SBA-1 the approximate calculation is \$1,156, 000 x .325% = \$3,800.)

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Town 1-54 Referring to Schedule A-6, Exhibit SBA1, please provide all assumptions, estimates, and calculations used to derive the "loss-on-disposal" amounts for each year from 1996 through 2004.

Response: The amounts listed were taken from the audited books of the Company. The Company is in the process of obtaining the supporting details from its auditor.

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Town 1-55 Referring to Schedule A-7, Exhibit SBA1, please explain in detail the difference between the Earnings-Subject-to-Tax amount of \$659,089 and the pro-forma estimate of total labor costs (\$588,657).

Response: The \$659,089 amount is the total pro forma labor cost as developed on workpaper WP-Payroll, page 50 of Exhibit SBA-1. The \$588,657 amount is the pro forma cost chargeable to expense as shown on Schedule A-3, page 23 of Exhibit SBA-1.

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Town 1-56 Referring to Schedule A-8, Exhibit SBA1, please provide backup schedules showing how the "assessments" for the Real Estate Commercial and Personal Property in Milford and Real Estate Residential in Hopkinton were derived.

Response: The assessment amounts were taken from tax bills received from the Towns. Detailed listings of all property tax bills has been provided in three excel files in response to DTE 1-1. The file names are as follows:

**RateCase-RE&PPTaxes.xls
RateCase-RE&PPTaxes-Update.xls
RE&PPTaxes-aa01.xls**

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

**MILFORD WATER COMPANY RESPONSES TO THE
FIRST SET OF INFORMATION REQUESTS OF THE
TOWN OF MILFORD
D.T.E. 05-61**

Respondent: Stephen B. Alcott
Response Date: January 20, 2006

Town 1-57 Referring to Schedule A-8, Exhibit SBA1, are the "Tax Rates per \$1,000" actual or estimated? If actual, what year? If estimated, show all assumptions, estimates, and calculations used to derive these values.

Response: The tax rates are based on actual bills for fiscal year 2005. As noted on Schedule A-8, the Company will provide current data when available.

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Town 1-58 What are the specific assets that comprise the "rate base increase" of \$4,617,458 on Schedule A-8? List each item along with its value that sum to this amount. Indicate which items are in Milford or Hopkinton.

Response: Rate base includes not only plant assets (in service) but also liabilities such as accumulated depreciation, and other components as shown on Table 4 of Exhibit SBA-1. The referenced difference was calculated by subtracting the assessment for personal property set forth on the Town of Milford tax bill from the pro forma rate base shown on Table 4, as follows:

Pro forma rate base	\$9,738,518
Current tax assessment	<u>\$5,121,060</u>
Increase	\$4,617,458

The current assessment is based on the allowed rate base included in the Company's 1992 rate case. The test year was 12/31/91. The attached tabulations set forth the changes between that case and the current proceeding.

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Town 1-58 (continued)

RATE BASE	1992 Rate Case	2005 Rate Case	CHANGE
Plant in Service	\$11,285,314	\$21,480,238	\$10,194,924
pro forma adjustment	41,588	581,000	539,412
Pro Forma Plant in Service	11,326,902	22,061,238	10,734,336
less: Depreciation Reserve	(2,671,955)	(6,536,647)	(3,864,691)
Pro Forma Net Plant in Service	8,654,947	15,524,592	6,869,645
Plus:			
Materials and Supplies	83,792	84,398	606
Cash Working Capital	133,187	230,733	97,546
Total Additions	216,979	315,131	98,153
Less:			
Customer Deposits	500	5,644	5,144
Contributions in Aid of Construction	3,364,313	5,422,200	2,057,887
Reserve for Deferred FIT - Depreciation	449,047	673,360	224,313
Total Deductions	3,813,860	6,101,205	2,287,345
RATE BASE	\$5,058,065	\$9,738,518	\$4,680,453
Rate case adjustments	449,047		
ADJUSTED RATE BASE	\$5,121,060	\$9,738,518	\$4,617,458

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Town 1-58 (continued)

PLANT IN SERVICE		1992 Rate Case	2005 Rate Case	CHANGE
103	Land	\$837,861	\$1,983,152	\$1,145,291
104	Total Structures	1,539,880	3,677,911	2,138,031
105	Pumping Plant Equipment	443,959	705,746	261,787
106	Misc Pump Plant Equip	33,684	35,715	2,031
107	Purification System	1,154,738	2,374,861	1,220,123
108	Transmission and Distribution	4,974,283	8,704,202	3,729,919
109	Services	755,501	1,701,947	946,446
	Customer's Meters/Measure			
110	Devices	507,868	673,262	165,394
111	Customer's M/M Device Installation	99,000	151,019	52,019
112	Hydrants	532,860	877,776	344,916
113B	Misc. Expenditures	39,027	1,200	(37,827)
Total Plant Investment		10,918,661	20,886,791	9,968,130
114	Office Equipment	166,096	218,309	52,213
115	Shop Equipment	2,860	11,258	8,398
116	Stores Equipment	1,160	1,395	235
117	Transportation Equipment	98,140	185,908	87,768
118	Laboratory Equipment	4,156	9,400	5,244
119	Miscellaneous Equipment	94,241	167,177	72,936
Total General Equipment		366,653	593,447	226,794
TOTAL PLANT IN SERVICE		\$11,285,314	\$21,480,238	\$10,194,924

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Response Date: January 20, 2006

Town 1-60 Referring to Schedule A-9, Exhibit SBA1, why is there no deduction for tax depreciation? Show how the ratio value of 0.6167 that is used to derive the gross taxable income was computed. Also, please show how the values derived on this schedule would change if the rate base was \$1,000,000 less (\$8,738,518). Provide the assumptions, estimates, and calculations used to derive the "interest expense" of \$171,398.

Response: Based on Department recognized standards, current rate payers should not be subsidized by future ratepayers. Including tax depreciation only delays the payment of taxes owed into the future. If tax depreciation had been deducted on Schedule A-9, then a pro forma calculation of deferred income taxes would have to be added and the net result would be the same.

The ratio is calculated by multiplying the complements of the applicable state and federal tax rates as follows:

$$(1-0.34) * (1-0.065) = 0.6167$$

The interest expense is based on the weighted cost of debt times the rate base. As shown on Table 5 of Exhibit SBA-1 the weighted cost of debt is 1.760%.

The following table shows the results if rate base were \$1,000,000 less.

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Town 1-60 (continued)

	<u>Pro Forma Amounts</u>	
Rate Base	\$8,738,518	
Return on Rate Base	941,138	
Less: Interest Expense	<u>153,798</u>	
Net Return on Rate Base	787,340	
ADD:		
Book Depreciation	-	
Deferred FIT/SIT	-	
Investment Tax Credits	(9,671)	
Amort of Preferred Stock Expense	<u>-</u>	
Total Additions	(9,671)	
DEDUCT:		
Tax Depreciation	<u>-</u>	
Total Deductions	-	
Taxable Income Base	<u>\$777,669</u>	
Gross Taxable Income	\$1,260,200	
(= taxable income base / 0.6167)		
State Franchise Tax (6.5%)		\$81,913
Federal Taxable Income	\$1,178,287	
Federal Income Tax (34%)		<u>400,618</u>
Total Income Taxes		<u>\$482,531</u>

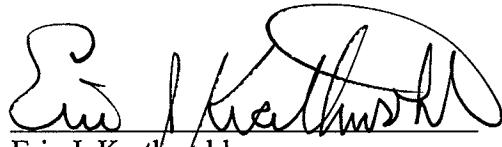
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D.T.E. 05-61

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding in accordance with the requirements of 220 CMR 1.05(1) (Department's Rules of Practice and Procedure).

Dated at Boston, Massachusetts this 20th day of January, 2006.


Eric J. Krathwohl
Counsel

Of Counsel for
Milford Water Company